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INTERGOVERNMENTAL NEGOTIATING COMMITTEE
FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE
Eighth session
Geneva, 16-27 August 1993
Item 3 (a) of the provisional agenda

MATTERS RELATING TO ARRANGEMENTS FOR THE FINANCIAL MECHANISM AND FOR TECHNICAL AND FINANCIAL SUPPORT TO DEVELOPING COUNTRY PARTIES

Implementation of Article 11 (Financial Mechanism), paras. 1-4

Note by the secretariat

1. At its sixth session, the Committee decided to focus its work primarily on those tasks specified in the Convention for action by the first session of the Conference of the Parties (A/AC.237/24, para. 43). Among these was task B.1: "Implementation of Article 11 (Financial Mechanism), paras. 1-4". The Committee began discussion of this item at its seventh session, in Working Group II.

2. As background to the discussion at that session, the secretariat submitted document A/AC.237/26, raising a number of questions. Those questions were considered by the Committee and on a number of them conclusions were reached, requiring follow-up action (A/AC.237/31, para. 32). The Committee decided to continue its work on those matters at its eighth session (A/AC.237/31, paras. 32 (o) and 51).

3. Responses to the various requests for follow-up action will be contained in the following documents before the Committee under this sub-item:

(a) Proposals on policies, programme priorities and eligibility criteria for the financial mechanism. Note by the Officers of Working Group II (A/AC.237/37/Add.1)

(b) Approaches to the determination of agreed full incremental costs. Note by the secretariat (A/AC.237/37/Add.2)

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(c) Modalities for the functioning of operational linkages between the Conference of the Parties and the operating entity or entities of the financial mechanism. Notes by the Chairman of the Committee and by the secretariat to the Bureau (A/AC.237/37/Add.3)

(d) Elements relevant to the assessment of funding needs. Note by the secretariat (A/AC.237/37/Add.4)

4. Some institutional questions raised in the secretariat's document for the seventh session remain open. Among these is the question of a possible contribution of the Committee to agreement on the restructuring of the Global Environment Facility (GEF) (see A/AC.237/26, para. 57). The GEF is expected to agree on a restructuring package at the meeting of its Participants scheduled for December 1993.

5. The GEF held two meetings in Beijing in late May 1993: a meeting on replenishment (25 May) and a regular Participants' Meeting (26 and 27 May). The summaries issued after these meetings by their Chairman, available in English only, are annexed to the English version of this document, for the information of the Committee.

May 25, 1993

GEFII REPLENISHMENT MEETING
BEIJING, MAY 25, 1993
CHAIRMAN'S SUMMARY

This first official meeting of donors has made excellent progress on the objectives we set for ourselves this morning. Let me summarize what I think our conclusions are. These will also be the main points I will convey to the Participants' meeting tomorrow.

It has been helpful to have your confirmation of the **timetable** that we established at our informal session in Rome. We are pleased that your governments strongly intend to decide by December of this year on their contributions to the core fund, provided that--and this I would like to emphasize--the restructuring of the GEF is also agreed by that time. The results of the evaluation of the pilot phase will also be taken into account in this process.

We didn't plan to settle on the total **size** of the replenishment at this meeting, because that will depend on decisions to be taken at our meetings in September and November, particularly on burden-sharing arrangements--but it has been very useful to have your thoughts about the range we should be aiming for. I think there is strong support for a GEFII core fund that is 2 to 3 times the size of the pilot phase, i.e. 2 to 3 billion SDRs. This broadly confirms what we had heard at UNCED in Rio as the position of some donors. However, I have taken note that some among you have registered reservations about identifying a particular range at this time.

We have also discussed **how long** this replenishment period should be, and heard interesting remarks about the advantages of various durations between three and five years. While many of you have supported a 3-year replenishment period, there was interest in maintaining flexibility in this regard.

You have given your reactions to the ideas in the "Needs Paper" about **the broad types of programs** and activities which should be funded in the next phase. You have emphasized that the preparation of projects for biodiversity and global warming throughout GEFII should be guided to a great extent by the two conventions in close cooperation initially with their interim bodies and subsequently by their Conferences of the Parties once they are established. In this context, there was broad support for the two-stage programming of GEFII. In the first stage, GEF programs would continue at about the same pace or at a little higher level than in the pilot phase. Stage 2 would commence once the Conferences of the Parties start to function, and the GEF is chosen as the permanent funding mechanism for the conventions. In this stage, the pace of activities would increase considerably.

Johannes Linn and I feel that the understandings we have reached today on these points with your support are very helpful in moving the replenishment process forward so that we can complete the process at the end of the year. For the September meeting, we will prepare a paper on funding modalities and burden-sharing which will also address the following issues:

- replenishment size as it relates to burden-sharing
- encashment and liquidity management issues.

Two other sets of issues that were raised today will be addressed in two technical notes:

- one note will report on progress with the ongoing work on incremental costs and its potential implications for the financing of GEFII.
- another note will trace out the implications of alternative replenishment sizes and periods for the programming and phasing of work program and project approval and how this relates to the absorptive capacity of the recipient countries and the implementing agencies, and what is being done to overcome existing constraints.

Thank you all for your participation in this productive meeting. I look forward to seeing all of you at the Participants meeting that starts tomorrow. I am hopeful that the positive message that have come out of this replenishment meeting will provide an impetus to a similar positive outcome from the restructuring discussions.

Annex II

GLOBAL ENVIRONMENT FACILITY
PARTICIPANTS MEETING

Beijing, China
May 26 - 28, 1993

CHAIRMAN'S SUMMARY
May 27, 1993

1. I would like to begin by thanking the Government of the Peoples' Republic of China for their warm hospitality and generosity during our week of meetings in Beijing. They have certainly contributed significantly to the success of our deliberations.

2. I also want to repeat the welcome I extended at the beginning of our meeting to the new Participants who have joined us in Beijing. They are a testimony to the principle of universality that has so strongly been reconfirmed by our meeting this week.

3. I will summarize both days of our discussions. Let me begin with our deliberations on the Pilot Phase before turning to today's session on the restructuring.

THE PILOT PHASE

4. The Fifth Tranche received general endorsement. Several participants provided verbal comments on some of the projects. Any written comments you may have, in addition to those expressed yesterday, should reach the Secretariat by the end of June. The agencies will be getting back to Participants directly as to how they will take those comments into account.

5. There were several calls for opportunities to review projects in the work program before final approval. There is now an understanding with the implementing agencies that they will circulate draft project documents for comments by Participants before final approval.

6. Many Participants paid tribute to the important contribution of STAP. They also noted the letter from UNEP's Executive Director regarding the reconstitution of the panel. We shall return to this subject at our September meeting.

7. Some Participants requested that the Chairman's Report be translated into French and Spanish in time for the Participants' meeting. This raises an issue of timing. However, the Secretariat will review this issue and establish how it can be accommodated.

8. The Participants welcomed the progress made by all agencies in disseminating information about their activities and called for continued efforts in this regard.

9. I have taken note of the continued emphasis placed on the issue of information disclosure, particularly in relation to Bank associated projects.

10. The Participants endorsed continuation of the GEF-NGO Small Grants Programme and agreed to a replenishment at this time of $3 million to implement the first phase of a two-part work programme, with the understanding that the second phase of the programme--including initiation of the inter-country component to fund regional activities--may be initiated when resources permit, taking into account the findings of the independent evaluation in respect to the Small-Grants Programme.

11. The Participants expressed appreciation for the contribution NGOs are making to the GEF and welcomed increased NGO participation in the GEF's activities. They endorsed several of the options set forth in the Secretariat's paper, including a more systematic approach to ensuring community and NGO involvement and implementation, monitoring and evaluation; the development of guidelines for such consultation, and increased collaboration with regional NGOs and networks. There was consensus that the GEF-NGO Consultations should be strengthened and made more productive, by tripartite participation of governments and implementing agencies with NGOs. The Secretariat will now play a bigger role in the planning of such consultations and work towards identifying appropriate arrangements for NGO involvement in the future.

12. On the independent evaluation, the sense of the meeting was that we have answered concerns raised in Rome which are reflected in the work program for the evaluation. The strengthened role of the independent panel, and the proposed measures to share the draft consultants' reports with the panel will now ensure the necessary degree of independence and quality. Given the time pressures, we must now press ahead with the arrangements which have now been so painstakingly put in place.

13. Participants raised a number of questions on administrative costs. The Secretariat will prepare a note on this matter which will also be of interest to the replenishment process.

GEF RESTRUCTURING

14. Turning now to our discussions on decision-making in the restructured GEF, I want to pay tribute to what has appropriately been described as the "spirit of Beijing". The tone of the meeting here has helped in moving the whole process forward to a remarkable extent. I believe, as a number of delegates have said, that we are well on the way to reaching agreement on the restructuring and replenishment by the end of the year.

15. Clearly the positive discussions at the Replenishment Meeting on Tuesday, May 25th and today's proposals from the G-77 paved the way for the cooperative spirit that emerged from our discussions today.

16. There was consensus on the broad institutional framework for the restructured GEF and reaffirmation of its three implementing agencies. However, differences of view still exist in three areas:

Voting There was support for a double majority system (referred to as option D). Some Participants, however, prefer some variation of Option C.

Governance There was support for the two tier approach, i.e. the universally constituted Participants' Assembly and a constituency-based governing board of up to 30 constituencies. However, there remains a difference of opinion on the relative role(s) of those two bodies. In addition, some Participants continue to express doubts as to the necessity of a two tier structure and indicated their preference for a more compact decision-making arrangements.

Secretariat. While some Participants argued for a "functionally independent" Secretariat, others supported a Secretariat that builds on existing arrangements with staff seconded from the implementing agencies. The Chairman was requested by the Participants to continue an intensive process of consultation similar to that followed after the Rome meeting in order to continue progress towards achieving common ground on these issues.

16. The Participants requested the Secretariat to prepare elements of a draft resolution that would establish the new GEF for Participants to consider at their September meeting.

17. All Participants noted the importance of the close relationship between the GEF and the Rio conventions. In this respect the meeting expressed its appreciation to Amb. Raul Estrada, Chairman of the INC/FCCC, for his stimulating presentation. We shall certainly follow-up on the call for greater interaction and cooperation between the GEF and the interim secretariats of both the climate change and biodiversity conventions.

18. We look forward to carrying the "spirit of Beijing" with us to the next meeting in September where I am confident that we will continue to make significant progress.